

BUDGET, FINANCE & INVESTMENT COMMITTEE

September 5, 2008

5:30 P.M.

Courthouse

MINUTES:

Members Present:

Comm. Bob Bullen
Comm. Joe Frank Jernigan
Comm. Will Jordan
Comm. Robert Peay, Jr.
Comm. Steve Sandlin
Comm. Doug Shafer
Comm. Will Jordan

Others Present:

Ernest Burgess
Teb Batey
Bill Boner
Truman Jones
Harry Gill
Lisa Nolen
Jeff Sandvig

Others Present:

John Lodl
Regina Nelson
John Frost
Teena Gray
Melanie Meshotto
Tom McAnulty
Tom Crewse

Others Present:

Lois Miller
Dan Goode
Nicole Burks
David Fergus
Ron Scudder
Rena Scudder
Jan Pyle

Nell Blankenship, Steve Cates, Claire Summers, Billy Summers, Bob Shupe, Michelle Willard, Scott Broden, Elaine Short

Chairman Ealy presided and called the regular meeting of the Budget Committee to order at 5:30 P.M. with all members being present.

APPROVE MINUTES:

The minutes of the August 6, 2008 meeting were presented for approval.

Comm. Jordan moved, seconded by Comm. Jernigan to approve the minutes as presented.

The motion passed unanimously by acclamation.

INVESTMENT REPORT:

Mr. Teb Batey, Trustee, presented the monthly Investment Report for the use and information of the committee advising that the LGIP interest rate for the month was 2.26%. There were three local investment events that occurred during the month with the interest rates ranging from 3.70% to 4.04%.

Following review, Comm. Bullen moved, seconded by Comm. Jernigan to approve the Investment Report as presented.

The motion passed unanimously by acclamation.

FUND CONDITION REPORT:

Finance Director Lisa Nolen presented the Fund Condition Report for the period ending August 31, 2008 for the use and information of the committee advising that the Development Tax collections for the month totaled \$798,000 with the year-to-date collections being \$1,359,000. This compared to the same month last year when the monthly collections were \$505,500 and the year-to-date collections were \$798,000. Through the end of August 37% of the revenue estimation for Development Tax had been collected.

The Finance Director reviewed the fund cash balances which totaled \$123,415,153 with \$106,346,125 being operating funds and \$17,069,028 being borrowed funds. This compared to August, 2007 when the total fund cash balances were \$138,928,504 with operating funds being \$111,590,515 and borrowed funds being \$27,337,989.

The Finance Director directed the committee's attention to the Brown's Chapel Elementary project, which had a cash balance of (870,713) and La Vergne Middle School which had a cash balance of (30,127). She advised that later in the meeting a bond issue would be discussed to provide funding for the Brown's Chapel Elementary Project, along with other capital projects.

Following review, Comm. Sandlin moved, seconded by Comm. Jordan to approve the Fund Condition Report for the month ending August 31 as presented. The motion passed unanimously by acclamation.

RECOMMENDATION FOR FUNDING FOR BUCHANAN MIDDLE SCHOOL AND NORTH CORRIDOR MIDDLE SCHOOL PROJECTS:

Mr. Harry Gill, Director of Schools, and Mr. Jeff Sandvig addressed the committee advising that the County Commission previously approved funding for the Buchanan and North Corridor Middle Schools with the stipulation that the Board return for final approval of the two projects once satisfactory test results had been received on the property.

Mr. Gill requested approval of funding in the amount of \$24,833,500 for the remainder of the Buchanan Middle School project and \$24,833,500 for the remainder of the North Corridor Middle School project.

Comm. Jernigan moved, seconded by Comm. Bullen to approve funding in the amount of \$24,833,500 for the remainder of the Buchanan Middle School project and \$24,833,500 for the remainder of the North Corridor Middle School project with the funding to be borrowed in a future bond issue. The motion passed unanimously by roll call vote.

APPROVE HISTORIC PRESERVATION SURVEY AND PLANNING GRANT APPLICATION FOR ARCHIVES:

Mr. John Lodl, Archives Director advised that he had applied for a Historic Preservation Survey and Planning Grant in the amount of \$19,300 with the total project cost being \$32,550. The grant funds will be used to update and digitize previous historic structure surveys for Rutherford County as part of the Tennessee Historical Commission's state-wide initiative.

In 1980, the Center for Historic Preservation at MTSU conducted a historic structures survey of Rutherford County. The survey currently comprises roughly 4,000 sites. Rutherford County is seeking financial assistance to bring these surveys up to current digitized standards of modern accessibility for use by local and state governments, universities and the general public at large. The scope of the project consists of three core parts: 1) to digitize and GIS plot the topographical maps used in 1980 and 1990 to locate the historic structures; 2) to digitize the 8,000 black and white photographs of the historic structures; and 3) to re-check all of the 4,000 sites to make sure that the structures still exist.

The local match will be provided from in-kind services, which will consist of Mr. Lodl's time, the Archives Department staff, and the Rutherford County GIS Department. If any cash match is required, it will be provided from the Heritage Partnership of Rutherford County and the Rutherford County Historical Society.

Following discussion, Comm. Jordan moved, seconded by Comm. Jernigan to authorize the Archives Director and the County Mayor to execute an application for the Historic Preservation Survey and Planning Grant from the Tennessee Historical Commission/National Park Service in the amount of \$19,300 with the total project cost being \$32,550 and with the matching costs to be provided from in-kind services. The motion passed unanimously by roll call vote.

GENERAL FUND BUDGET AMENDMENTS

SHERIFF'S DEPARTMENT:

Sheriff Truman Jones, Chief Regina Nelson, and Captain John Frost were present to request approval of the following budget transfer to provide additional funding for prisoner extraditions:

From: 101-54210-189 – Other Salaries/Wages -	\$20,000
To: 101-54210-354 – Transportation Other Than Students -	\$20,000

Capt. Frost advised that there had been 31 extraditions since July 1.

Following discussion, Comm. Shafer moved, seconded by Comm. Bullen to approve the budget transfer as requested. The motion passed unanimously by roll call vote.

PET ADOPTION & WELFARE SERVICES:

Finance Director Lisa Nolen requested approval of the following budget amendment for the PAWS Department to appropriate remaining funds from the Community Enhancement Grant, which was received in Fiscal Year 2007-08. The grant proceeds are to be used to pay the services of the mobile Spay Station to come to Rutherford County from Wilson County:

From: 101-39000 – Undesignated Fund Balance -	\$6,225
To: 101-55120-357 – Veterinary Services -	\$6,225

Comm. Jordan moved, seconded by Comm. Sandlin to approve the budget amendment appropriating the remaining funds in the amount of \$6,225 for the Community Enhancement Grant that was received in Fiscal Year 2007-08 as requested. The motion passed unanimously by roll call vote.

TRAFFIC CONTROL:

The Finance Director requested approval of the following budget amendment to provide funding to make repairs to various traffic lights throughout the county. Mrs. Nolen has been notified by the City of Murfreesboro of repairs to the Walter Hill traffic light for approximately \$6,500. Currently, \$10,000 is included in the 2008-09 budget to pay for electricity for the lights, but no money has been appropriated for repairs:

From: 101-39000 – Undesignated Fund Balance -	\$10,000
To: 101-54130-336 – Maint./Repair Equipment -	\$10,000

Following discussion, Comm. Jordan moved, seconded by Comm. Jernigan to approve the budget amendment to provide funding to make repairs to various traffic lights located throughout the county as requested. The motion passed unanimously by roll call vote.

APPROVE TWO GRANT CONTRACTS WITH TENNESSEE DEPARTMENT OF CHILDREN'S SERVICES AND RELATED BUDGET AMENDMENT:

Mrs. Teena Gray, Youth Services Director, was present to request approval of two Grant Contracts with the Tennessee Department of Children's Services for the Teen Trax Program and the Teen Learning Program. During the 2008-09 budget process, the County was notified by letter from the State that funding for the two grants would not be available. However, at the end of the legislative session funding was restored at a reduced amount.

The Teen Trax Grant provides funding for Community Intervention Services. The maximum liability of the State for this grant shall not exceed \$46,448.

The Teen Learning Grant provides funding for the provision of Custody Prevention Services. The maximum liability of the State under the terms of this grant shall not exceed \$417,696. Neither grant requires any local matching funds.

Mrs. Gray also requested that the County Mayor be authorized to execute the Grant Contracts for both the Teen Trax Grant and the Teen Learning Grant and that the following budget amendment be approved to recognize the grant proceeds to be received and to appropriate the grant proceeds for the Contracts with Private Agencies Account to pay for the services of the Genesis Learning Center:

Increase Revenue:	101-46990 – Other State Revenue -	\$464,144
Increase Expend.:	101-53910-312 – Contracts w/Private Agencies -	\$464,144

Following discussion, Comm. Peay moved, seconded by Comm. Sandlin to authorize the County Mayor and any other appropriate officials of Rutherford County to execute the Grant Contracts with the Tennessee Department of Children's Services for the Teen Trax Grant in the amount of \$46,448 and the Teen Learning Grant in the amount of \$417,696; and additionally, to approve the budget amendment recognizing the grant proceeds to be received and to appropriate the proceeds for the Contracts with Private Agencies Account in order to pay for the services of the Genesis Learning Center as requested. The motion passed unanimously by roll call vote.

PROPERTY ASSESSOR:

Mr. Bill Boner, Property Assessor, requested approval of the following budget transfer to provide funding to utilize the expertise of former Assessor Tommy Sanford on a limited basis during his transition into the Property Assessor's position. Funds are available in the Deputy's Account due to a position becoming vacant:

From: 101-52300-106 – Deputies -	\$8,400
To: 101-52300-169 – Part Time Personnel -	\$8,400

Comm. Jernigan moved, seconded by Comm. Sandlin to approve the budget amendment to provide funding in the Part Time Personnel Account to utilize the services of former Assessor Tommy Sanford on a limited basis during the transition period as requested. The motion passed by roll call vote with Comm. Shafer abstaining.

AMBULANCE SERVICE:

Mrs. Melanie Meshotto, Administrative Supervisor at the Ambulance Service, was present to request approval of the following budget amendment to re-appropriate the remaining funds from the 2007-08 budget in the Paramedic Scholarship Account. The funds came mostly from donations:

From: 101-39000 – Undesignated Fund Balance -	\$30,470
To: 101-55130-524 – In-Service/Staff Development -	\$30,470

Comm. Jernigan moved, seconded by Comm. Shafer to approve the budget amendment as requested to re-appropriate the remaining funds from the 2007-08 budget in the amount of \$30,470 to be used for the Paramedic Scholarship Account. The motion passed unanimously by roll call vote.

REQUEST FROM AMBULANCE SERVICE TO HIRE TWO TEMPORARY PARAMEDIC POSITIONS:

Mrs. Meshotto advised that the Ambulance Service Director was requesting approval to hire two temporary paramedic positions to fill the positions of two paramedics who were on extended FMLA.

Comm. Jordan moved, seconded by Comm. Sandlin to authorize the Ambulance Service Director to hire two temporary paramedic positions to fill the positions of two paramedics who were on extended FMLA as requested. The motion passed unanimously by roll call vote.

REQUEST FROM AMBULANCE SERVICE TO UPGRADE PARAMEDIC I POSITION TO PARAMEDIC II:

Mrs. Meshotto next advised that the Ambulance Service Director was requesting approval to upgrade a Paramedic I position to a Paramedic II. The additional cost for the Paramedic II position was \$4,480, which could be covered within the existing budget. She explained that Mr. Nunley would not be requesting an additional Paramedic I position.

Comm. Peay questioned as to why this was not requested in the 2008-09 budget process.

Mayor Burgess advised that the paramedic had recently completed course work for certification, and that the employee had done the course work on his own time using his own money.

Following discussion, Comm. Jernigan moved, seconded by Comm. Shafer to authorize the Ambulance Service Director to upgrade a Paramedic I position to a Paramedic II at an additional cost of approximately \$4,480 as requested. The motion passed by roll call vote with Comm. Peay voting "no".

INITIAL RESOLUTION AUTHORIZING THE ISSUANCE OF NOT TO EXCEED \$85 MILLION GENERAL OBLIGATION BONDS:

Mr. Tom McAnulty and Mr. Sam Crewse, Stephens, Inc. were present to provide information to the committee regarding the county's next bond issue.

Finance Director Lisa Nolen requested approval of an Initial Bond Resolution authorizing the issuance of not to exceed \$85 million General Obligation Bonds to be published in full in a newspaper having a general circulation. The purpose of the publication is to notify the public of the county's intent to issue bonds in an amount not to exceed \$85 million.

The Finance Director stated that the full \$85 million would not be issued at this time, and that the actual bonds issued would amount to approximately \$44.1 million. The bond issue would provide financing for Brown's Chapel Elementary in the amount of \$19,714,000 with the City of Murfreesboro's share being \$3,965,426; \$333,308 for the Rockvale Middle road widening; \$7,700,000 for Buchanan Middle School with \$441,543 being the City of Murfreesboro's share; \$7,700,000 for the North Corridor Middle School with \$441,543 being the City of Murfreesboro's share; and \$3.8 million for various road projects.

Following discussion, Comm. Peay moved, seconded by Comm. Shafer to forward the Initial Bond Resolution to the County Commission authorizing the issuance of not to exceed \$85 million General Obligation Bonds in order to publish the notification in a newspaper of general circulation. The motion passed unanimously by roll call vote.

Comm. Shafer moved, seconded by Comm. Bullen to forward a Resolution to the County Commission authorizing the County Mayor to request that the City of Murfreesboro forego their share of the fall bond issue. The motion passed unanimously by roll call vote.

The Finance Director presented information regarding potential capital projects for the school system and the county showing that approximately \$252,149,596 would need to be borrowed over the next five years.

Mr. McAnulty and Mr. Crewse advised that the county's typical bond issue was paid over a 20-year period with the principal repayment beginning in the first year. The principal repayment is scheduled to result in level combined principal and interest payments on each individual bond issue.

Mr. McAnulty and Mr. Crewse introduced a new financing objective looking at the term of the financing. Mr. Crewse advised that there was often limited flexibility to increase revenues, and that as priorities change and things happened beyond the control of the Commission such as reduced state funding contributions or economic conditions other debt structures could be utilized.

In evaluating the length of the repayment schedule, the county should consider the useful life of the projects being financed. The County would generally make a choice between lower annual payments or lower total payments.

One proposal for financing a bond issue would be to utilize a new debt structure that would provide some flexibility to change the final repayment terms as financial conditions change.

Mr. Crewse explained that based on a bond issue totaling \$44.6 million, the debt could be structured so that \$31.3 million could be financed with the typical 20-year fixed rate bonds with level debt service. The current average rate on this type of financing was 4.40%.

Secondly, \$13.3 million could be financed utilizing short-term bonds with a due date of approximately January 1, 2011. The current rate on this type of financing was 2.50%. Prior to the maturity of the short-term bonds, the county could retire the 2-year bonds with an 18-year or 23-year fixed rate issue; retire the 2-year bonds with another 1-3 year short-term fixed rate issue; retire the bonds with a variable rate loan from a loan program; or retire the bonds with a variable rate bond sold directly or indirectly by Rutherford County.

Mr. Crewse provided a comparison of financing \$44.6 million utilizing the typical 20-year fixed rate versus financing \$31.3 million utilizing 20-year fixed rate bonds and financing \$13.3 million utilizing 2-year short-term bonds. Once the 2-year short-term bonds matured, another short-term bond could be issued whereby the principal could be paid off during the last five years of the maturity.

The impact of the alternative debt structures versus the 20-year level debt structures could generate a savings of \$800,000 to \$1,450,000 depending on the principal repayment in 2011. Over \$530,000 of the above savings would be interest savings attributable to the lower interest rates.

Mr. Crewse explained that by utilizing the new debt structure, the county would be locking in the current fixed rate market for \$31.3 million, borrowing \$13.3 million at a short-term rate saving up to \$1.45 million in debt service through 2011, saving up to \$531,000 in interest through 2011, and maintaining the flexibility to retire the \$13.3 million over 20-years or 25-years or longer.

The County would not be locking in today's market for 100% of the new issue or locking in a final repayment schedule for 100% of the new issue.

The primary risks using this type of financing would be that short-term and long-term interest rates could be higher in 2011. The source of repayment for the short-term bonds would be a new bond issue. In the unlikely event that the county could not borrow money in the months leading up to the due date, the county would need to use fund balances.

Following discussion, Comm. Bullen moved, seconded by Comm. Jordan to authorize Mr. McNulty and Mr. Crewse to develop two Bond Resolutions for the next Budget Committee meeting, one Bond Resolution for the full amount to be issued and a second Bond Resolution authorizing a portion of the bond issue to be issued with a short-term maturity. The motion passed unanimously by roll call vote.

INSURANCE REPORT:

Mrs. Lois Miller, Insurance Director, presented the monthly Insurance Report for the use and information of the committee advising that the medical claims cost for the month of August totaled \$2,702,532. With administration fees, the total medical costs for the month were \$2,978,484. The costs per employee were \$654.32. The Vision costs for the month were \$58,351. The dental costs were \$30,693.60. The CareHere costs totaled \$161,935.99 with the cost per visit being \$79.49.

Mrs. Miller advised that the new contract with CareHere would begin in September, and that next month's fixed costs should be less.

Regarding the Worker's Compensation, the claims paid for the month totaled \$111,006. At the current trend, the Worker's Compensation claims are running 534% above last year.

Following review, Comm. Sandlin moved, seconded by Comm. Peay to approve the monthly Insurance Report as presented. The motion passed unanimously by roll call vote.

RECOMMENDATION TO APPROVE AN ON-THE-JOB INJURY PROGRAM PLAN DOCUMENT:

Mrs. Miller and Mr. Dan Goode, Safety Coordinator, presented information regarding a proposed On-the-Job Injury Program. The program was presented to the Budget Committee at last month's meeting, and the recommendation was that the information should be presented to the full commission at the regular August meeting.

Mr. Goode advised that the Plan Document was the only document that needed to be considered for approval. Mr. Goode advised that the Plan Document had been revised from last month to include comments made by the Budget Committee, the Public Safety Committee, and other County Commissioners. The revisions were highlighted in red.

Mr. Goode directed the committee's attention to the major changes in the OJI Plan Document noting that after six calendar months of compensation have been exhausted, the qualified individual shall seek income replacement from the County sponsored Long Term Disability insurance.

Mrs. Miller advised that the long term disability did not terminate at the end of one year.

Mr. Goode also advised that there were several concerns regarding repetitive motion, and that it was no longer excluded. The appeals process was revised to allow oral input from individuals. Mr. Goode advised that although not a part of the Plan Document, a standard nondisclosure agreement would be developed for any future legal settlements. The OJI Program was recommended by the Public Safety Committee. Mr. Goode advised that the Insurance Department had not received any other comments since the review. He requested approval of the OJI Plan Document in order to move forward with the program.

Following review, Comm. Bullen moved, seconded by Comm. Jordan to approve the On-the-Job Injury Program Plan Document and forward the same to the County Commission.

Comm. Sandlin asked if this program would open the county up for more lawsuits.

Mrs. Miller advised that an OJI Program would take away the exclusive remedy of Worker's Compensation. If an employee filed a lawsuit, they would need to prove that the county was negligent in causing their injury. That brings in to play the tort caps. The tort caps are \$300,000 and \$700,000. Meaning, if the county was found to be negligent, the maximum award to an individual would be \$300,000 or \$700,000 per incident. Mrs. Miller advised that the OJI Program does not include settlements at all. The only way that a settlement would apply under this program would be if the county was sued for negligence.

Comm. Shafer stated that he believed that the OJI Program would provide accountability on both sides of an injury. He stated that the county would be required to provide the training and document the training. The employee would also have to provide accountability that they were not violating any safety standards.

Mrs. Miller advised that her department had been working very diligently during the past year to develop a training program. Recently, visits have been made to all of the schools to set up their safety committees and get their training underway. In addition to that, she has connected with a branch of MTSU, and they will be making the county's training program a part of a graduate level project to help in developing additional training modules and delivery methods.

Comm. Peay asked if the commission would be allowed to revisit the OJI Plan Document in case they wanted to make changes to the plan.

Mrs. Miller advised that the Plan Document was governed by the County Commission, so if there was a need to make a change, it would be brought back through the committee process for approval.

Following review, the motion to approve the On-the-Job Injury Program Plan Document effective January 1, 2009 and forward the same to the County Commission passed unanimously by roll call vote.

RECOMMENDTION TO AWARD LONG TERM DISABILITY CARRIER TO HARTFORD LIFE:

Mrs. Miller advised the savings from the OJI Program would be used to purchase Long Term Disability. The Long Term Disability program would be for all employees. The LTD is critical to the OJI Program, because it will be the funding mechanism for claims that last longer than six months for income replacement. Long Term Disability is not purchased just for work related incidents. It is purchased for coverage off work, as well. She advised that this would be 24-hour coverage.

Mrs. Miller advised that bids were taken, and 13 bids were received. The three finalists were CIGNA, Hartford Life, and US Able. She advised that the county currently had working relationships with all three carriers. Hartford was the selected carrier for the LTD at a cost of 22 cents per month per \$100 of coverage with a total expected annual premium of \$437,804. All three of the carriers guaranteed their rates for three years. The Desired Loss Ratio is an indication of the carriers' expenses and profit loads. A higher DLR is good, and Hartford's DLR was 85%.

Mrs. Miller advised that all three carriers had very strong financial ratings. She stated that there would be no wrong answer for any of the three carriers.

Mrs. Miller explained the ranking system that was used in selecting the LTD carrier. She stated that the Insurance Committee voted unanimously to select Hartford Life as the carrier for the LTD.

Following review, Comm. Bullen moved, seconded by Comm. Peay to authorize the County Mayor and any other appropriate officials of Rutherford County to execute a contract with Hartford Life to provide Long-Term Disability Insurance for Rutherford County employees at a cost of 22 cents per month per \$100 of coverage or an annual expected premium of \$437,804. The motion passed unanimously by roll call vote.

The Finance Director advised that the premium would be paid monthly, and therefore, she, the School Board, and the Highway Department would be bringing budget amendments through the committee process to cover the premium.

2009 EMPLOYEE HEALTH INSURANCE PLAN RENEWALS AND OPTIONS:

Mrs. Miller advised that last year when the 2008 Health Insurance Plan renewal options were presented, the Insurance Committee recommended a 5% increase on the total plan based on a review she had done, and that was approved and put in place as of January 1, 2008.

Mrs. Miller advised that thanks to some new tools she now had the ability to look at some individual pieces of the health insurance plan. Several issues have come to light. She stated that this year she believed some minor changes could be done to the plan, but would be less in scope than last year's rate increase and would also add a new option to the program.

Mrs. Miller provided a pie chart that illustrated how the premium in the plan was broken out for Option 1 active employees, Option 2 active employees, pre-65 retirees and post-65 retirees. Another pie chart illustrated the claims and expenses by plan type for Option 1 active employees, Option 2 active employees, pre-65 retirees and post-65 retirees. She explained that Option 1 was by far the largest option and included 70% of the active enrollment, but only provided 67% of the premium breakout. Option 1 also made up 75% of the claims and expenses. The next largest option was Option 2, which accounted for 29% of the premium, but only represented 19% of the claims and expenses. Similarly, the pre-65 retirees accounted for 3% of the premium and 3% of the claims and expenses while the post-65 retirees accounted for 1% of the premium, but

3% of the claims and expenses. The end result revealed that Option 2, which was the second largest option and only included about 30% of the enrollment was supporting Option 1 and the Post-65 retirees. She stated this was a source of instability in that a smaller portion of the population was supporting a much larger portion of the plan.

Mrs. Miller advised that analyzing the Health Insurance Plan indicated that Option 1 needed a small increase, and that Option 2 could actually be decreased. However, if some minor plan changes were made, and the rates were not changed at all, Option 1 could be placed back in line a little better.

The Insurance Committee recommended that for active employees, the In-Network Deductible be increased from \$250 to \$300, the Out-of-Network Deductible be increased from \$450 to \$500, the In-Network Out-of-Pocket be increased from \$1,550 to \$1,750, and the Out-of-Network Out-of-Pocket be increased from \$3,050 to \$3,250. The combined value of this change amounted to 1.4%. In addition, the county's current pharmacy plan currently includes an out-of-pocket maximum of \$1,000. She stated that this was a very unusual option to see on a pharmacy plan. The Insurance Committee proposed to increase this \$1,000 out-of-pocket maximum on the pharmacy plan to \$1,100. This change was worth .2%. The \$100 increase in the out-of-pocket maximum for the pharmacy plan applied to all plans whether the person was an active employee or a retiree.

The Insurance Committee also recommended a third option in the Health Insurance Plan. The third option would be a Health Reimbursement Account (HRA). This was a form of a high deductible plan and was simply an option. Employees can enroll or not enroll as they choose. The deductible for an HRA was made up of two pieces, the amount that the county funds and a contribution from the employee. The upfront health reimbursement arrangement would be funded by the county, and it would automatically pay first. It would cover 100% of medical expenses while it was used. During that time period, the employee would still go to in-network providers, they would make no payment at the time of the service, the claims would be adjudicated through the discounted network and paid from the upfront benefit dollars that the county would fund. She stated there would be multiple tools for employees to use to determine the best places to go and the best places to purchase their medications, and the best quality of outcomes in terms of hospitals. Once the employee used the portion that the county funded, they would begin using their contribution. The provider would bill them, but with pharmacy there would be a payment due at the time of the service. If an employee does not use all of the HRA, the balance would roll over to the next year. The employee could also use a flexible spending account to help cover their out of pocket expenses. If all of the HRA is used, and all of the employee's contribution is used, the underlying health insurance plan begins to pay. Preventive care would be covered 100%.

The HRA for the employee only would be \$750, the contribution from the employee would be \$750. When the total of \$1,500 is satisfied, the employee would begin using the health coverage.

Under the HRA, the pharmacy plan would be a co-insurance plan and not co-pay. This would make the employee cognizant of the cost of the drug, and would encourage the employee to make a choice as to whether they wanted the generic drug, the preferred brand, or the non-preferred brand.

Mrs. Miller provided a comparison of the premiums for Option 1, Option 2 and Option 3 (HRA) advising that the county would be able to offer the third option due to the larger deductibles and the fact that people would be more aware of the dollars they were spending and therefore would be more careful of how they spend their dollars. Therefore, option 3 would be offered at no premium cost for the employee. The county currently funds a set amount for Option 1 and Option 2. In this scenario, the County would continue to pay the same amount for Option 1 and Option 2, the employee would not have to pay any additional premium, but the employee would have a higher out-of-pocket cost.

Mrs. Miller advised that under Option 3 the CareHere Clinics would no longer be free. She stated there could not be a high deductible health plan with a free clinic. The employees would

still have 100% coverage for preventive services. CareHere would charge a \$50 co-pay for non-preventive services. The employee would receive a receipt and a claim form to file with CIGNA if there was still money in their fund.

Mrs. Miller clarified that the small changes to the deductibles and the out-of-pocket costs, as well as the changes to the pharmacy out-of-pocket costs also applied to the pre-65 retirees, because they were part of the same plan as the active employees.

Mayor Burgess also pointed out that the \$750 could be carried over from one year to the next one time. An employee might actually have no medical expenses, and the County's portion and the employees' portion totaling \$1,500 was the maximum amount that could be carried over one time.

Comm. Bullen moved, seconded by Comm. Shafer to suspend the rules to allow anyone in the audience to speak to the proposed changes to the Health Insurance Plan. The motion passed by voice vote.

Mrs. Sue Cain asked for clarification regarding the \$100 change in the pharmacy for all plans.

The Finance Director stated that change would require \$100 increase to the pharmacy out-of-pocket expenses from \$1,000 to \$1,100.

Following discussion, Comm. Shafer moved, seconded by Comm. Jordan to approve the January 1, 2009 Health Plan Renewal increasing the in-network deductible and the out-of-network deductible for Option 1 by \$50, increasing the in-network out-of-pocket expenses and the out-of-network out-of-pocket expenses for Option 1 by \$200, increasing the out-of-pocket maximum of the pharmacy plan for all members from \$1,000 to \$1,100, and adding a new Option 3 consisting of a Health Reimbursement Account. The motion passed unanimously by roll call vote.

RECOMMENDATION TO INCREASE DENTAL PREMIUM UNDER OPTION 2 AND MOVE TO SELF-FUNDED PLAN:

Mrs. Miller advised a similar review had been done on the dental plan. She explained that there was a similar problem. In this particular case Option 1 was a leaner option for the dental plan. It encourages employees to go to a network dentist by making the benefit better if they stay within the network. The premium rates for Option 1 are significantly better than the premium rates for Option 2; however, Option 2 is a passive plan because an individual could go to a dentist within the network or out of the network and receive the same benefit. Mrs. Miller explained that from the inception of the dental plan, the premium rates between Option 1 and Option 2 did not have enough differential to cause the individuals to pay for going outside of the network. While Option 1 could take a small decrease, Option 2 needed a significant increase.

The Insurance Committee recommended a 5% increase to the dental premium rates for Option 2 so that the people who were opting to go to an out-of-network dentist were paying a little more of their cost. The entire 5% increase would be passed along to the employee.

Mrs. Miller explained that the dental plan was a fully insured plan. When the county purchased the dental plan from CIGNA, it came with 3-year rate caps of 8% each year. Last year when the committee considered the renewal of the dental plan, Mrs. Miller's evaluation had shown that the dental plan needed a more significant increase than the 8% rate cap that was in place, so the Insurance Committee recommended that the county purchase the rate cap that was in place. This year after evaluating the dental plan, Mrs. Miller proposed to the Insurance Committee that the dental plan be moved to a self-funded mechanism and no longer have it fully insured thereby allowing the county to get by with only making the 5% increase in premiums to Option 2.

Mrs. Miller advised that CIGNA had proposed a renewal offer reducing the 8% cap to 6.2%, but if the county changed the plan to a self-funded plan, the average increase would be 1.3% across the plan. She stated she was comfortable with this because dental plans were very predictable and there was not a lot of risk.

Mrs. Miller advised that the Insurance Committee had recommended that the dental plan be moved to a self-funded plan with a 5% increase in premiums for Option 2 effective January 1, 2009. The total premium rate for the single coverage based on 12 months would increase from \$24.65 to \$25.88 with the employee paying the total increase from \$13.85 to \$15.08 and the county's portion remaining the same at \$10.80. The total premium for family coverage based on 12 months would increase from \$76.65 to \$80.48 with the employee paying the total increase from \$65.85 to \$69.68 and the county's portion remaining the same at \$10.80. The total premium rate for single coverage based on 10 months would increase from \$29.58 to \$31.06 with the employee paying the total increase from \$16.62 to \$18.10 and the county's portion remaining the same at \$12.96. The total premium rate for family coverage based on 10 months would increase from \$91.98 to \$96.58 with the employee paying the total increase from \$79.02 to \$83.62 and the county's portion remaining the same at \$12.96.

Following discussion, Comm. Jordan moved, seconded by Comm. Sandlin to approve the recommendation of the Insurance Committee to move the county's dental plan to a self-funded plan effective January 1, 2009 and to approve a 5% increase in the premium for Option 2 with the amount of the increase being passed to the employee's participating in Option 2. The motion passed unanimously by roll call vote.

RECOMMENDATION TO INCREASE HEALTH INSURANCE PREMIUMS FOR POST-65 RETIREES:

Mrs. Miller advised again that the tools that were now available allowed for each piece of the health insurance plan to be evaluated. When the Post-65 retiree group was looked at, it was discovered that it was under-funded based on the experience in the plan. Their premiums were 1% of the total premium, but their claims amounted to 3% of the claims. The experience indicated an increase for the Post-65 retirees of 163%, but the change to the out-of-pocket expenses of \$100 on the pharmacy plan would lower the increase to 161.7%.

The Insurance Committee met and discussed two different proposals. One proposal was to bring the premium for the Post-65 population up to a 50% contribution to their costs. In 1999, the County Commission approved by Resolution that the retiree costs would be split 50%/50%. The Insurance Committee considered a proposal to get the premium rate up to 50% of what it actually cost to cover the plan. She explained that the committee discussed at length the time period to be allowed to increase the Post-65 premium to a proper amount to cover the costs. A proposal was made and approved for a five-year time horizon to increase the Post-65 premium.

The Insurance Committee proposed to increase the current Post-65 retirees' premiums effective January 1, 2009 by 32.3%, which was 1/5 of the necessary increase. It was also proposed that a retiree who reached age 65 after January 1, 2009, the premium would increase to the adequate rate to start with, which would be an increase from \$63.64 to \$166.53 for single coverage.

Comm. Jordan stated that he was concerned that employees who were already 65 would decide to retire in December in order to avoid the larger increase in insurance premiums.

It was noted that those employees would eventually be paying 50% of the total premium costs.

Comm. Jordan stated that he could see every employee who was already 65 and still working deciding to retire between now and December.

The Finance Director stated that while those employees were still working, they were only paying 10% of the premium, but when they retired, they would be paying 50% of the premium.

Mrs. Miller advised that there were currently 245 Post-65 retirees on the health insurance plan. She advised that 166 of those retirees had State support to offset their total rates, because they were retired teachers.

Comm. Bullen asked why since 1999 the premium rates for the Post-65 retirees had reduced from 50% of the premium costs to 19% of the costs.

Mrs. Miller advised that from what she had been able to determine, the premium rates for the retiree's had never been adjusted with the experience of the plan. She stated to begin with the premium rate was set at some low number and had never been investigated to determine if the rate was adequate based on the cost of the plan. She stated that last year when the health insurance premium rates were increased by 5% and passed along to the Post-65 retiree's, as well, that was the first increase that the Post-65 retiree's had paid in some time.

Comm. Bullen stated that it was possible that the Post-65 group had been lead to believe that they were paying 50% of the premium cost.

Mrs. Miller agreed that the Post-65 group was paying 50% of the premium rate that had been stated, but the rate was stated inadequately. In order to correct the rate, it would impact the Post-65 retirees. She stated that they had always thought that they were paying 50%.

Comm. Bullen stated that after the committee had completed their discussion, he would like anyone in the audience to be allowed to comment on the proposal.

Mrs. Miller pointed out again that the Post-65 retirees were being allowed a 5-year time horizon to reach the full premium rate increase.

Comm. Jernigan stated that it appeared that the County was to blame for not keeping up with the retiree rates increases.

Mayor Burgess stated that was correct, but in addition to that the retiree's had been underpaying. He stated that it was a trade off.

Comm. Jordan stated that he had a problem with increasing the premiums for the Post-65 retirees this much.

Comm. Sandlin stated that on the surface a monthly increase of \$20.58 did not sound like that much, but when that was multiplied by 12 months coupled with the \$100 increase in the out-of-pocket on the pharmacy plan, the increase could be significant for some people. He stated that it was like the Commission was breaking their promise.

The Finance Director stated that the County had gone beyond their promise, because the promise was 50%, but the County has been paying 80%.

Comm. Jordan stated that he could support an increase for future retirees, but he was not in favor of wholesale changes for current retirees.

Comm. Shafer asked about spreading the increase for Post-65 retirees to eight or ten years and Pre-65 retirees as of January 2, 2009 to be increased over a four-year period.

Chairman Ealy asked if anyone in the audience would like to speak.

Mrs. Sue Cain stated that when she retired, she checked and made sure she would get her full social security benefits and the retirement. She stated that she also checked on the insurance costs when she was planning her retirement. She stated that the people who would be hurting would be the single retiree's who did not have someone to help them pay their bills. She stated some retired teachers were in their 70's or 80's, and their retirement benefits were not as much.

Mr. Steve Cates stated that county employees other than retired teachers also needed to be considered, because their salaries may not have been as much as a teacher's salary, and therefore their retirement benefits would be less. He also stated that the much older retirees needed to be considered.

Mrs. Claire Summers questioned why the 1999 Resolution did not make a distinction between the Pre-65 retirees and the Post-65 retirees.

Mrs. Miller advised that the Pre-65 retirees were paying 50% of the stated rate, and their rate was adequate.

Mrs. Jan Pyle also stated that the State retirement was based on a full year of teaching, and that if someone retired in the middle of the year, that could affect their retirement benefits.

Comm. Bullen stated that he would agree that something needed to be done, but he was not sure as to when or how much. He stated it was not realistic for someone only to be paying \$38 per month for health insurance. He stated that he was especially concerned about retirees age 75 and older who had been retired for years. He stated there was probably a compromise, and if it was not an emergency, he suggested having an open hearing so other retirees could have some input. He asked if it was an emergency that something had to be decided at this meeting.

Mrs. Miller stated that this recommendation was just part of the January 1, 2009 renewal process, and if it was the will of the committee that a recommendation for the Post-65 retirees could be implemented off of the regular cycle.

Following discussion, Comm. Jordan moved, seconded by Comm. Bullen that the increase in health insurance premiums for the Post-65 retirees be sent back to the Insurance Committee.

Comm. Jordan stated he would like to see some hard numbers as to what it would cost to grandfather in the premium rates for this group.

Mrs. Miller stated that the premium shortfall for the Post-65 retirees was approximately \$1 million. She stated that she would recheck her numbers.

Mrs. Miller asked for further guidance. She asked if the committee was leaning toward changing the 1999 Resolution for the percentage funding for the current group. She also asked if once a rate was stated if there could be normal increases for plan growth.

Comm. Peay stated with the way that insurance costs and medical costs were it would have to be explained that there would be increases to premium rates.

Following discussion the motion to send the increase to the Post-65 health insurance premiums back to the Insurance Committee passed unanimously by acclamation.

The Finance Director advised that a letter had been received from CIGNA advising that the imprest balance that the county provided to pay health insurance claims was increased from \$709,000 to \$800,000 effective September 1, 2008.

APPROVE OFFICIALS' STATUTORY BONDS:

Chairman Ealy advised that approval was being requested to approve two Statutory Bonds for Mr. Boner, the newly elected Property Assessor, in the amount of \$10,000 and for Mr. Mike Williams, Road Superintendent, in the amount of \$100,000.

Comm. Jordan moved, seconded by Comm. Sandlin to approve the Statutory Bonds for Mr. Bill Boner, Property Assessor, in the amount of \$10,000 and for Mr. Mike Williams, Road Superintendent, in the amount of \$100,000. The motion passed unanimously by acclamation.

RESOLUTION AUTHORIZING AND INCREASE TO THE LITIGATION TAX FOR GENERAL SESSIONS JUDGES SALARIES:

Finance Director Lisa Nolen advised that statutes allowed the county to impose a local litigation tax on each civil case filed in General Sessions Court and on each criminal conviction in General Sessions Court in the amount of \$6 to be utilized in defraying the cost to Rutherford County of

paying the General Sessions Court Judges. If the litigation tax was not sufficient to fund the increase in the General Sessions Judges' compensation, statutes permitted a county to increase the local litigation tax.

Approval of a Resolution was requested increasing the litigation tax on each civil case filed in General Sessions Court and on each criminal conviction in General Sessions Court to \$9.35 per case for an increase from the prior year of one dollar to fund the increases to the General Sessions Judges' salaries mandated by the Tennessee Code Annotated and as authorized by TCA 16-15-5007 effective October 1, 2008.

Comm. Sandlin moved, seconded by Comm. Peay to approve the Resolution increasing the local litigation tax from \$8.35 to \$9.35 on each civil case filed in General Sessions Court and on each criminal conviction in General Sessions Court to fund the increases to the General Sessions Judges' salaries effective October 1, 2008. The motion passed unanimously by roll call vote.

RESOLUTION TO LEVY A \$10 PRIVILEGE TAX TO BE USED EXCLUSIVELY FOR JAIL OR WORKHOUSE CONSTRUCTION, RECONSTRUCTION, UPGRADING OR TO RETIRE DEBT:

Mayor Burgess advised that the county had already put in place a \$25 Privilege Tax for the purpose of providing funding for jail or workhouse construction, reconstruction, upgrading or to retire debt. He advised that it was the opinion of the County Attorney that an additional \$10 may be available. Mayor Burgess advised that the county thought it was increasing the Privilege Tax from \$10 to \$25, which was approved; however, when the State rewrote the code, there was some ambiguity in the language.

Mayor Burgess requested approval of a Resolution to levy a privilege tax on litigation in all civil and criminal cases instituted in Rutherford County other than those instituted in municipal courts, in addition to all other such privilege taxes authorized in the amount of \$10 per case with the proceeds to be used exclusively for purposes of jail or workhouse construction, reconstruction or upgrading, or to retire debt.

Mayor Burgess cautioned the committee that the legislative body might realize what they had done and that the County would not be allowed to keep the money, but per the committee's approval the county would put the \$10 privilege tax in place and deposit it in a separate account.

Following review, Comm. Sandlin moved, seconded by Comm. Shafer to approve the Resolution authorizing the levy of a \$10 privilege tax on litigation in all civil and criminal cases instituted in Rutherford County other than those instituted in municipal courts, in addition to all other such privilege taxes to be used exclusively for purposes of jail or workhouse construction, reconstruction or upgrading, or to retire debt to be effective October 1, 2008. The motion passed unanimously by roll call vote.

RESOLUTION AUTHORIZING THE LEVY OF A LOCAL PRIVILEGE TAX ON LITIGATION TO BE USED EXCLUSIVELY FOR COURTHOUSE SECURITY:

Mayor Burgess requested approval of a Resolution to authorize, by a two-thirds majority vote of the County legislative body, to levy a local privilege tax in the amount of \$25 on litigation in all civil and criminal cases instituted in the county, other than those instituted in municipal courts to be used exclusively for courthouse security, in addition to those purposes identified such as jail or workhouse construction, reconstruction or upgrading, or to retire debt effective October 1, 2008.

Comm. Sandlin moved, seconded by Comm. Shafer to approve the Resolution that effective October 1, 2008 pursuant to T.C.A. 67-4-601 (b) (6) a local litigation tax on civil and criminal cases in addition to all other litigation taxes will be \$25 per case to be used exclusively for courthouse security. The motion passed unanimously by roll call vote.

OTHER BUSINESS:

Chairman Ealy advised that the next regular meeting of the Budget Committee was scheduled for Thursday, October 9. The County School's Fall Break is scheduled for the week of October 6 through October 10. She asked if the committee wanted to reschedule the October meeting.

Comm. Peay moved, seconded by Comm. Shafer to reschedule the October Budget Committee meeting from October 9 to Tuesday, September 30 at 5:30 P.M. The motion passed unanimously by acclamation.

ADJOURNMENT:

There being no further business to be presented at this time, Chairman Ealy declared the meeting adjourned at 9:10 P.M.

Elaine Short, Secretary